

BEIJING REVIEW

- 1979 National Economic Plan and State Budget
- Law on Joint Chinese and Foreign Enterprises



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CHRONICLE

July 9

• The three-day national college entrance examinations for a total of 4.7 million candidates ended today. The results will be out in the latter part of August and the new students will enter institutions of higher learning on September 1.

• Premier Hua Guofeng cabled President Ieremia Tabai, welcoming the independence of the Republic of Kiribati and announcing China's recognition of the South Pacific republic with a population of 60,000.

July 11

• The national conference on farmland improvement was held in Beijing from July 6 to 11. Comrade Hua Guofeng attended the conference and called for shifting the focus of all work and concentrating efforts on the national economy. Vice-Premier Li Xiannian presided over the conference and called for a new upsurge in farmland capital construction during the coming winter.

July 13

• In a note to the Vietnamese Foreign Ministry, the Chinese Foreign Ministry strongly protested recent Vietnamese incursions into China and pointed out that they were an indication of Viet Nam's hypocrisy in the Sino-Vietnamese negotiations.

July 14

• Premier Hua Guofeng sent a message to the 16th Conference of the Heads of State or Government of the Organization of African Unity (OAU), extending warm congratulations to the conference which opened on July 17.

July 15

• During his meeting with a delegation of the Japanese news agency, Mainichi Shimbun, led by Director Toshio Hiraoka, Vice-Premier Li Xiannian in reply to questions put to him said that the Chinese people were now working in a down-to-earth manner to boost the national economy. "To implement the modernization programme," he pointed out, "we need stability and unity inside China and a peaceful environment outside. Therefore, we must uphold peace in the world and oppose hegemonism."

• Gongren Ribao (Workers' Daily), the official organ of the All-China Federation of Trade Unions, marked the 30th anniversary of its founding. Forced to close in 1966 it only resumed publication last year. It has a circulation of 1.09 million.



Publicizing the New Laws

Chairman Ye Jianying of the Standing Committee of the National People's Congress issued seven orders from July 4 to 8 promulgating the seven laws adopted at the Second Session of the Fifth National People's Congress which closed on July 1.

The seven laws are the Organic Law of the Local People's Congresses and the Local People's Governments, the Electoral Law for the National People's Congress and Local People's Congresses, the Organic Law of the People's Courts, the Organic Law of the People's Procuratorates, the Criminal Law, the Law of Criminal Procedure and the Law on Joint Enterprises using Chinese and Foreign Investment. The last law (see pp. 24-26 for full text) went into effect on the day of promulgation, while the others will come into force on January 1, 1980.

A publicity campaign is being conducted across the country to make the laws known to all the people. Once the laws are grasped by China's 900 million people, they will become a tremendous force in safeguarding socialist democracy and the socialist legal system. The masses will be able to use the laws and exercise supervision over the state organs and individuals and see to it that things are done according to law and that people breaking the law are prosecuted and punished.

The mass media and jurists are taking an active part in the campaign.

— All the leading dailies in the country have published the full texts of the seven new laws, together with explanatory articles and commentaries. Some papers have special columns answering questions concerning the laws and giving explanations to legal terms.

— The Central People's Broadcasting Station has started a 20-minute special programme every other day on criminal law.

— Publishing houses will bring out popular and easy-to-understand books on law.

— Editors of *Faxue Yanjiu* (Law Research) and four other law journals have held a meeting discussing the ways of acquainting the people with the new laws. They have proposed that lectures on law be given at Party schools in various parts of the country as well as at primary and middle schools. They have also suggested that the papers publish the proceedings of some typical law cases.

Many well-known jurists have expressed their willingness to help improve and perfect China's legal system.

• Lei Jieqiong, formerly deputy dean of the Beijing Institute of Politics and Law, said: After liberation in 1949, four institutes of politics and law were founded, in addition to setting up the faculty of law in four universities, and they trained a large number of people for this profession. In the 60s, however, these schools and departments were dissolved. In order to enforce the newly enacted laws effectively, it is important to quickly train cadres for this work. This 74-year-old woman professor declared that she would do her part to achieve this.

• Zhang Youyu, formerly director of the Research Institute of Law and author of *Talks on the Fundamentals of Law* (1963), is now revising this popular book for early publica-



The press gives wide coverage on the new laws.

tion. "We've a heavier responsibility than before," he said.

• Famous lawyer Lin Hengyuan, one-time vice-president of the criminal court of the Supreme People's Court, said: In the past, Lin Biao and the gang of four slandered that lawyers were always trying to defend counter-revolutionaries and criminals. To this day many people in our profession have misgivings and are reluctant to return to practice. All experienced lawyers, he declared, should pluck up courage, sum up their past experience and help train young lawyers. He said that though he was advanced in age, he was willing to act again as legal counsel in the court.

Having had enough of a decade of turmoil caused by Lin Biao and the gang of four, the people want law and order more than anything else. Democratization and legalization, which the Chinese people have long been yearning for, are now gradually becoming a reality. Political democracy protected by the legal system will certainly give a powerful impetus to the early realization of economic modernization.

Burmese Prime Minister Visits China

Premier Hua Guofeng, in his meeting with Burmese Prime Minister U Maung Maung Kha on July 12, said that the relations between China and Burma had been very good and that the two countries had identical views on many international questions. He praised the Bur-

mese Government for adhering to its policy of independence and non-alignment. The Premier accepted an invitation to visit Burma.

Prime Minister U Maung Maung Kha agreed with Premier Hua's appraisal of the relations between the two countries. The Burmese Prime Minister arrived in Beijing on July 9 and was welcomed by Premier Hua at the airport.

Speaking at the banquet given by the State Council in honour of the Burmese Prime Minister, Vice-Premier Geng Biao pointed out that the amicable relations and co-operation between China and Burma, based on mutual trust and understanding, have stood the test of time and have developed steadily in the changing international situation.

The Vice-Premier said that the turbulent developments in Indochina pose a grave threat to some Asian countries, particularly the Southeast Asian countries. "The unrest in Indochina and Southeast Asia," he added, "is due entirely to the big and small hegemonists who work in collusion and make use of each other in pursuit of unbridled aggression and expansion."

Vice-Premier Geng reiterated the just and consistent stand of the Chinese Government and people to support the Southeast Asian countries in their struggles against aggression and in defence of national independence and state sovereignty.

In his speech at the banquet, Prime Minister U Maung Maung Kha noted that both

Burma and China adhere to the principle of peaceful coexistence, and that there exist between them good neighbourly relations. Such mutually beneficial relations, he stressed, should flourish not only during our time but for generations to come. This is in accord with the interests and desires of the two peoples.

Since the establishment of diplomatic relations between the two countries in 1950, good neighbourly relations between them have developed steadily. There have been frequent mutual visits by leaders of the two countries. Premier Zhou Enlai visited Burma on nine occasions and President U Ne Win visited China on ten occasions. Both sides have satisfactorily solved the boundary questions and promoted friendly relations and co-operation between them on the basis of the Five Principles of Peaceful Coexistence. These relations have developed in the last few years. Following Vice-Chairman of the National People's Congress Deng Yingchao's visit to Burma in 1977, Vice-Premier Deng Xiaoping paid a visit to Burma last year. Burmese Prime Minister U Maung Maung Kha's recent visit to China has added a new page in the annals of Sino-Burmese friendly relations.

On July 12, Premier Hua Guofeng and Prime Minister U Maung Maung Kha signed an economic and technical co-operation agreement between the two countries.

The Burmese Prime Minister left Beijing on July 13 on a visit to the Democratic People's

Republic of Korea. At the farewell banquet he gave in Beijing on July 12, he said that his contacts and discussions with the Chinese leaders were very useful and would help develop and consolidate the friendship and co-operation between Burma and China.

Popularizing Use of Methane in Rural Areas

Methane, or marsh gas, is being used more and more extensively in China's countryside. It is both cheap and suited to China's specific conditions and needs.

Methane used in the rural areas is produced by artificial means from the night soil and animal droppings and other organic wastes which undergo microbial catabolism in a gas digester. Generally the amount of methane so produced in a single peasant household meets one-third to half of its fuel needs, and if plant stalks and weeds are added to this at regular intervals, the gas produced is enough for the family's needs. Using local materials, the peasants can build the digesters at a low cost.

Apart from cooking, lighting and heating, methane can be used for power generation in processing farm and side-line products. Another advantage of using methane is that it helps improve environmental sanitation, because fermentation in airtight digesters kills the mosquitoes, flies and germs, while the compost from the digesters makes ideal organic fertilizer for soil amelioration.

China began producing methane in 1958, but significant development was made only in the past three years. Today the country has 7.1 million digesters, 15 times as many as in 1975. Sichuan Province in southwest China with about 5 million digesters leads the nation in this field. Now production of methane is being popularized in over half of the nation's provinces, municipalities and autonomous regions.

Irrational fuel consumption in China's rural areas is a problem crying for solution. In addition to large amounts of coal supplied by the state every year, 90 per cent of the fuel the peasants need for daily use come from burning stalks and firewood. Calculated in terms of heat produced, these accounted for one-third of China's total consumption of energy resources. The waste is really enormous.

China has a big rural population and the need for energy will increase with the development of farm mechanization and commune- and brigade-run enterprises. It would be impossible to rely solely on the state to supply coal, oil and electricity to meet these needs. The best solution is to make the fullest possible use of natural energy sources, and the most practical and scientific way at present is to use methane.

More Cinemas and Theatres

One thousand and five hundred auditoriums owned by government organizations and enterprises in a number of Chinese cities, with a seating capacity of 1.7 million, are now open to the public. Films are shown and theatrical performances are staged here, thereby greatly enlivening the cultural



A girl demonstrating how to use methane for lighting and boiling water.

life of the people and easing the tension of the past few years in the shortage of cinemas and theatres.

Take Beijing for instance. For years the people in the capital complained about the lack of variety in cultural life. One reason for this was that there were few good films and plays, and another reason was the shortage of theatres and cinemas. Though the situation has begun to change for the better in the last two years, the increase in the number of good films and plays has not been matched by an increase in the number of cinemas and theatres. Those available, numbering more than 30, cannot meet the growing needs.

Since the government cannot at present allocate large funds for building more cinemas and theatres, the public have suggested that auditoriums of Party, government and army organs should be open to the public.

The proposal was accepted. To date, 34 of the 130 such auditoriums in the city and its suburbs have been made good use of. Those opened recently include the auditorium of the Museum of Chinese History in the heart of the city, the Recreation Centre of the Beijing No.3 Cotton Mill in the eastern suburb and the auditorium of the Research Institute of Water Conservancy and Power in the city's western part. They are all located on the main streets and are easy of access, and they serve the purpose after installing the necessary equipment. In this way, the number of cinemas and theatres in Bei-

jing has nearly doubled without much investment.

Similar steps have been taken in Chongqing in southwest China, where 80 auditoriums are now open to the public, thereby increasing the number of seats seven-fold.

There are great potentials in all parts of the country, Minister of Culture Huang Zhen pointed out, and more auditoriums should be available. This, he stressed, will not only meet the needs of the people but also forge closer ties between the Party, government and army on the one hand and the people on the other.

In the difficult years of the revolutionary wars, the people were always invited to attend entertainments given by the Party or government organs. After countrywide liberation, this tradition was gradually ignored, and some very good government auditoriums in walled-in compounds were not available to the public although they were not in use most of the time.

Earthquake Hits Liyang, Jiangsu Province

An earthquake of magnitude 6 on the Richter scale hit Liyang County in southwestern Jiangsu Province, east China, at 18:57 hours on July 9. Forty-one people were killed and more than 2,000 were injured to varying degrees.

The earthquake spread to a considerably wide area and shocks were felt in Shanghai, Nanjing and other cities. The

three people's communes in the epicentre suffered heavy damage and the neighbouring 20 communes and towns were also affected.

Immediately after the quake, leading comrades at various levels in Jiangsu Province went to the stricken area to direct relief work. That same evening, a provincial medical team was sent to the area to give first-aid to the injured and take anti-epidemic measures. Units of the People's Liberation Army stationed in the locality sent 700 armymen to help put up makeshift houses. Meanwhile, emergency materials have been sent to Liyang from many parts of the country.

On July 13, the Party Central Committee and the State Council sent a message of sympathy and a central delegation to the affected area. Ulanhu, Member of the Political Bureau of the C.P.C. Central Committee, is the leader of the delegation and Cheng Zihua, Minister of Civil Affairs, is the deputy leader.

Liyang County gathered in a rich harvest last year and the yield of the summer crops this year was high too. The people in the area are determined to overcome the effects of the quake and rebuild their villages. The peasants started working in the fields again after clearing away the debris.



Arrangements for the 1979 National Economic Plan

Yu Qiuli

At the June 21 plenary meeting of the Second Session of the Fifth National People's Congress, Vice-Premier and Minister in Charge of the State Planning Commission Yu Qiuli delivered a report on the draft of the 1979 national economic plan, which is in three parts. Following is the full text of the second part. The content of the first part "New Successes in the Development of the National Economy in 1978" is contained in the "Communique on Fulfilment of China's 1978 National Economic Plan" (see "Beijing Review" No. 27, pp. 37-41) and the third part "Unite as One and Go All Out to Fulfil and Overfulfil the 1979 Plan" concerns guidelines for domestic work. — Ed.

WHAT should we tackle first in our economic work now that the focus of the work of the whole nation has been shifted to socialist modernization? The State Council has made an overall analysis of our current economic situation and has decided that, on the basis of the solid achievements in economic recovery and growth during the past two years, a period of three years, beginning from 1979, should be devoted to readjusting, restructuring, consolidating and improving the national economy so as to put it, step by step, on to the path of sustained, proportionate and high-speed development. This is an important policy decision, one which proceeds from the realities and actively promotes the steady progress of the four modernizations.

In accordance with this decision, the 1979 National Economic Plan, as drafted last year, has been revised under the guidance of the State Council. In the revised plan, stress is placed on speeding up the development of agriculture and the light and textile industries and on expanding production and construction in the coal, petroleum, power and building material industries, and in transport services. At the same time, arrangements for production in other industries

are to accord with the availability of fuel and power, and arrangements for capital construction are to be suited to our financial and material resources. We must strive for better economic results in production and construction. Commodity supply is to be increased and foreign trade expanded to bring about a brisk exchange between town and country and between China and other countries. Efforts are to be made to promote science, education, culture, public health and other undertakings. The living standards of the urban and rural inhabitants are to be raised further as production develops.

The general outline of the 1979 plan is as follows:

Agricultural production is to grow by 4 per cent over the previous year;

Industrial output is to increase by 8 per cent over 1978, with that of light industry going up by 8.3 per cent and of heavy industry by 7.6 per cent. The planned rate of growth is lower than that in the past two years. This is because the growth in those two years consisted to a considerable degree in economic recovery, while this year the economy must make new advance on the basis of the big growth of the past two years; apart from which readjustments are required within the industries themselves. Taking all this into account, an appropriate slowing down of the rate of growth is normal. Judging from the history of industrial development in many countries in the world, an increase of 8 per cent in industrial production in one year cannot, under ordinary circumstances, be considered slow.

In capital construction, the investments will include 36,000 million yuan directly provided for in the state budget, plus foreign exchange loans, making up a total of 40,000 million yuan, thus maintaining the actual level attained last year.



Harvesting a good wheat crop on a farm in Shaanxi Province.

The total volume of retail sales of commodities will increase to 175,000 million yuan, up 14.6 per cent from last year.

The total volume of imports and exports will be 44,000 million yuan or 24 per cent above last year's.

Below I shall give some explanations concerning the main aspects of the plan.

1. Concentrate our main efforts on speeding up the development of agriculture.

The primary task in the readjustment of our national economy in the next three years is to speed up the development of agriculture as far as possible. The 1979 plan requires an increase of grain output of 7,750,000 tons following upon the 22 million tons increase of last year, to a total of 312,500,000 tons, or an increase of 2.5 per cent over the 1978 total. The output of cotton is to be increased by 233,000 tons, to a total of 2,400,000 tons, an increase of 10.8 per cent over the previous year. Efforts should be made to attain new growth in the production of other cash crops, forestry, animal husbandry, sideline production and fisheries. Here I must make one point clear. The agricultural production quota for 1979 was in the main drawn up last September and October according to preliminary estimates of total 1978 outputs, while the actual results in 1978 exceeded the estimates on the output of grain and other crops. In order to leave some leeway, we have made only a few readjustments in the quotas planned for 1979. Hence, the rate of growth set for grain and other crops looks somewhat slow. We must work well and strive to overfulfil these targets.

To carry out the agricultural production plan for 1979, it is of fundamental importance

that we continue earnestly to implement the two documents on agricultural development adopted by the Third Plenary Session of the 11th Central Committee of the Party, further implement our Party's rural policies and bring into play the enthusiasm for socialism of China's 800 million peasants with their labour force of 300 millions, do more effective work in farmland capital construction and scientific farming and develop a

diversified rural economy. At the same time, in implementing the plan, the following important measures to boost agricultural production will be taken:

First, a substantial increase in the purchase prices of farm and sideline products and reduction or remission of rural taxes. Starting from the time when the summer grain comes on the market this year, the state purchase prices for grain will be raised by 20 per cent. The prices of grain purchased in excess of quotas will be raised by 50 per cent over the new prices. Purchase prices for farm and sideline products such as cotton, oil-bearing crops and pigs will be raised correspondingly. Purchase prices for the 18 main farm and sideline products will be raised by 24.8 per cent on the average. The total sum to be spent in 1979 because of the rise in prices of farm products will be 6,500 million yuan. It is the first time since liberation that there has been such a big upward adjustment in the purchase prices of main farm and sideline products. And with the reduction or remission of agricultural tax in some places where conditions are poor, and of the tax on enterprises run by communes, production brigades and production teams, the people's communes, production brigades, production teams and the individual peasants will benefit by over 7,000 million yuan in 1979. Such an increase in the income of peasants, communes, brigades and teams within a single year will help greatly to bring the initiative of the broad masses of commune members into full play, and to promote agricultural production. The raising of purchase prices of farm and sideline products by a big margin constitutes a major readjustment of the economic relations between industry and agriculture, and

between the state, the collective and the individual; it is an important measure in economic planning that conforms to the order of priority: agriculture-light industry-heavy industry. It is of great significance to the harmonious development of the entire national economy.

Second, an increase in funds for agriculture. The proportion of agricultural investment is to rise to 14 per cent of the total capital construction investment laid down in the state budget, as compared with 10.7 per cent last year. Taking into account the outlays for agricultural establishments, funds to aid agriculture, loans and other payments for agriculture, the total sum comes to 17,400 million yuan in the state budget. The funds for agriculture will be used mainly to promote the construction of bases to produce commodity grain and cash crops, for livestock breeding areas and marine fishing grounds and for promoting production in areas deficient in grain owing to low yields.

Third, increased aid by industry to agriculture, and the steady mechanization of agriculture in ways suited to local conditions. In 1979 we plan to produce 9,570,000 tons of chemical fertilizer (estimated according to 100 per cent effectiveness), an increase of 880,000 tons over last year. The production of highly effective farm chemicals of minimum toxicity will be increased. We plan to produce 95,000 tractors. The emphasis in the production of farm machinery should be on improving its quality, and on doing a good job of supplying accessory farm implements and spare parts. We must pay more attention to quality than quantity.

Generally speaking, the financial and material resources earmarked for agriculture in the 1979 plan add up to a substantial sum, the best the state can do under present conditions. We call on all concerned to improve their work conscientiously, take good care of these funds and materials, put them to good use and avoid waste. Agricultural establishments run by the state should do their best to gradually transform themselves into enterprises with independent accounting, and earnestly assess their economic results.

2. Make every possible effort to speed up the growth of the light and textile industries.

In 1979 we will strive to speed up the development of

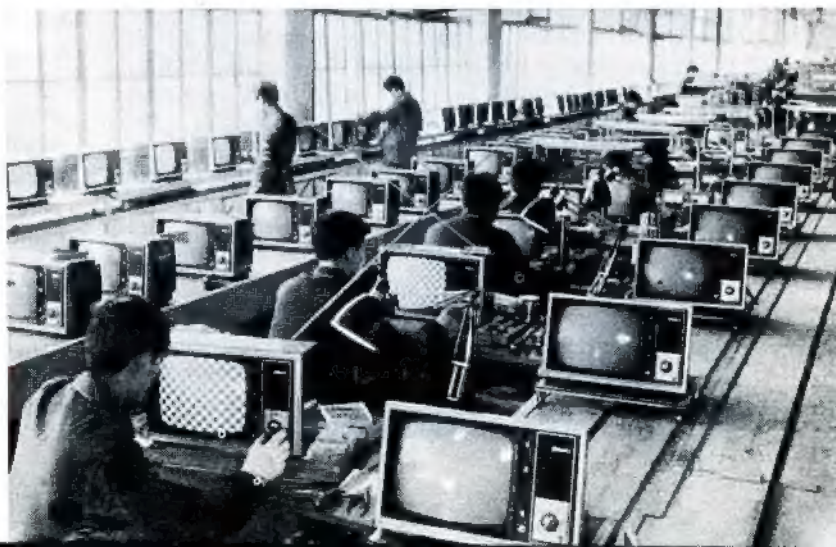
the light and textile industries so that they will turn out more and better products for export as well as for domestic urban and rural markets, and provide the country with more revenue. The plan stipulates output increases of 5.3 per cent for chemical fibres; 8 per cent for synthetic detergents; 10.8 per cent for bicycles; 8.6 per cent for sewing machines; 12.7 per cent for watches; over 100 per cent for television sets and 23 per cent for cameras. In order to ensure the expansion of production in the light and textile industries, the following effective measures must be taken:

First, light and textile industries must be given priority in obtaining fuel, power and raw and semi-finished materials. The amount of electric power allocated to the light and textile enterprises should be supplied in full. The supply and transport and communications departments must organize steady deliveries of coal, oil and raw and semi-finished materials used by the light and textile industries, according to the quality and quantity norms laid down in the contracts. The light and textile industries should be given priority in obtaining such raw and semi-finished materials of use to them as are discovered in inventorying warehouses.

Second, the import of raw and semi-finished materials necessary for the light and textile industries should be properly increased. Foreign currency allocations for this purpose in the 1979 plan will increase by 320 million yuan in terms of Renminbi (RMB), or 17 per cent as compared to last year.

Third, major efforts must be made to improve the quality and increase the variety of the products of the light and textile industries. The Ministry of Light Industry will lay stress on the appraisal and improvement of the quality

More TVs turned out by a Shanghai factory.





New patterns in a Hebei cotton mill.

of 83 products and give awards for those of top quality. The Ministry of Textile Industry is to solve a number of key problems in the quality of products, turn out some top-quality brand-name products, increase output of marketable goods in short supply, and stop manufacturing unsaleable products.

Fourth, co-ordination between industry and commerce should be strengthened and sales expanded. Commercial and foreign trade departments should help enterprises to plan their production better according to market demand, and purchase their products according to plan. The departments of the light and textile industries should be allowed to sell, according to the price policy set by the state, those of their products which the commercial and foreign trade departments do not purchase.

Fifth, the departments of heavy industry should be mobilized to make full use of their surplus production capacity, leftover materials and stored materials and turn out, as the conditions permit, the maximum possible of products for daily use, suited to their technological process and to the popular taste, so as to meet the demands of the home and export markets.

3. The present tension in energy supplies should be gradually overcome through measures to increase production and practise economy.

At present, tension in the supply of fuel and power is an outstanding problem in the development of our national economy. Our country abounds in coal, petroleum and hydro-power re-

sources, but time is needed to prospect them and put them to use. In recent years, the output of oil and coal has increased substantially, but the prospecting of oil deposits and the construction of new coal pits have lagged. In order to readjust the proportions within the oil and coal industries themselves, the plan this year is to produce 106 million tons of crude oil, an increase of 1.9 per cent over last year, and to produce 620 million tons of coal, a slight increase over last year, of which 354 to 366 million tons, an increase of 3.5-7 per cent over last year, is to be provided by those collieries whose products are distributed under the unified state plan. On this basis, arrangements have been made to generate 275,000 million kwh of electricity, a 7.2 per cent increase over last year. In order to reduce the pressure on fuel and power supplies and give more of both to the light and textile industries, it is planned to turn out no more than 32 million tons of steel this year. In the iron and steel industry the stress is to be on improving quality and increasing varieties which are in short supply.

The tension in fuel and power supplies will continue for a fairly long period. From now on, therefore, we must take effective measures to increase production and practise economy. Efforts are required to raise output as well as to increase the construction of new capacity. In coal production, it is necessary to tap the potentials of old mines and renovate and transform them; those coal pits which have failed to fulfil their tunnelling quotas should make up for this in a planned way, in the course of production; it is imperative to expedite the construction of coal pits already begun and to increase the construction of new pits according to plan so that a fairly large amount of new production capacity is added within a few years. In the petroleum industry, geological survey and prospecting should be done well so as to ensure that more oil reserves are found as soon as possible. In the power industry, existing generating installations must be supplemented and equipment improved, and thermal- and hydro-power stations should be vigorously developed. A pressing demand on us is that, while striving to produce more fuel and power, we must take effective steps to reduce consumption of fuel and power and save energy so as to increase production and attain speed through practising economy.

First, we should take firm steps to select the best enterprises and ensure their power supply. Enterprises which produce high-quality products

at low cost and with good sales and so earn high profits should be supplied with the maximum possible amount of fuel and power and be allowed to operate at full steam. Enterprises which turn out low-quality, high-cost, unwanted goods and show a deficit must undergo a shake-up. Some should cease operation, while others may be amalgamated, or change over to other products. Proper arrangements should be made for the workers and staff of enterprises which cease to operate. Some may be transferred to other enterprises and others be organized for technical training. This applies equally to enterprises run by the central authorities, by various localities and by people's communes, production brigades and production teams.

Second, all enterprises must put a stop to indifference concerning consumption of materials and the quality and variety of products, while one-sidedly concentrating on quantity and output value. The system of supplying fuel, power, raw and semi-finished materials under fixed quotas must be strictly implemented. Enterprises which consume more than their fixed quotas must ascertain the reasons, and such enterprises will not be allowed to draw enterprise funds. All enterprises must see to it that they have a balance in the use of heat, make good use of residual heat and reduce the consumption of energy. Concrete rules in this regard are to be worked out by the departments concerned.

Third, the existing generating sets using oil must be converted, step by step, to burning coal. To start with, former coal-burning generating sets which have been changed to burn oil must be changed back, so that coal replaces the oil they now consume. We must earnestly develop thermal-power generating sets employing high temperatures and pressures which have a large capacity, and to save fuel, we must renovate and transform existing power plants with generating sets employing medium and low pressures selectively and in a planned way.

Fourth, the system of unified distribution of electricity is to be introduced. Power grids, both between provinces and within provinces, are to be put under the unified control of the Ministry of Power Industry. Their electricity is to be distributed by the state in a unified way. All departments and regions must arrange their production and construction within the limits of the power supply allocated them by the state and consume no more than their planned quotas.

Fifth, the processing industries should be developed in a planned way, with more production of goods which are in short supply and restrictions on the production of goods which are in full or excessive supply. At present, the capacity of power-consuming equipment in China is in excess of installed generating capacity. This is an important cause of the strain in power supply. In order to achieve a balance between the consumption and supply of fuel and power, it is necessary to increase the supply and at the same time to control the increase of units consuming electricity, coal or oil. From now on, any new enterprise to be built by a locality or a department must have ensured supplies of fuel and power, and a document to this effect must be signed by the responsible department. Projects using oil or gas as raw material shall not be put under construction before their source of oil or gas supply is ascertained.

Sixth, draft an energy law at an early date which stipulates the criteria for the rational exploitation, comprehensive utilization and the saving of energy, as well as a corresponding system of reward and penalties.

Another prominent weak link in the national economy at present is our insufficient railway transport capacity and the backward handling capacity of our coastal harbours. Measures are being taken gradually to strengthen the transformation of the weak sections along the Beijing-Baotou, Beijing-Guangzhou, Longhai and other trunk railway lines and step up the construction of highways, harbours, postal and telecommunications services so as to ease the strained situation in transport and

In the Yanzhou Coal Mine, Shandong.



telecommunications services through efforts over several years.

4. Resolutely curtail capital construction and get the best results from investment.

A major aspect in readjustment work is the rational arrangement of the scope of capital construction and the proper allocation of investments in the light of our financial and material resources, so as to raise the efficiency of such investments. The direct investment in capital construction under the 1979 national budget plus the investment deriving from foreign loans will amount to 40,000 million yuan. In addition, construction outlays from funds raised by the localities and departments themselves together with other construction outlays will total nearly 10,000 million yuan. Despite reduction, the scale of investment is still fairly large. Much can be accomplished if it is used prudently.

The focus of investment under the state budget is on agriculture, light industry, fuel and power, building materials and transport services. Spending on science, culture and education will be appropriately increased, spending on living facilities will make good arrears in this respect, and attention must be paid to boosting the economic development of the border regions and minority nationality areas.

The proportion of one-time investment going to agriculture has increased from 10.7 per cent in 1978 to 14 per cent in 1979. The major construction undertakings planned include 65 big and medium-sized water conservancy projects and 11 projects for the aquatic products industry. The investment in livestock farming, forestry and land reclamation is increased to some extent, as compared with last year.

The proportion of the total investment going to light industry has increased from 5.4 per cent in 1978 to 5.8 per cent in 1979. The major projects include 12 sugar refineries, each with a capacity of 500 tons of sugar cane a day; 11 sugar refineries, each with a capacity of 500 tons of sugar-beets a day; 7 paper mills, each with a capacity of over 50 tons of paper a day; and 3 cotton mills, each to be equipped with 100,000 spindles and 3,000 looms. They also include the Tianjin Petrochemical Fibre Plant, the Changshou Vinyon Plant in Sichuan, and other vinyon plants in Gansu, Guangxi and Yunnan.

The proportion of the total investment going to heavy industry has dropped from 54.7 per cent in 1978 to 46.8 per cent in 1979. The

emphasis in investment is on coal, oil, electricity and building materials. Major projects are centred on the eight mining areas such as the Gujiao and Datong mining areas in Shanxi, the Fengfeng mining area in Hebei, the Tiefert mining area in Liaoning, the mining areas north and south of the Huai River in Anhui and the Yanzhou mining area in Shandong, each of which has a capacity of more than 10 million tons of coal a year. Also included are the Gezhouba Hydroelectric Power Station in Hubei, the Longyangxia Hydroelectric Power Station in Qinghai, and six thermal-power plants such as the New Datong Power Plant and the Tangshan Douhe Power Plant, each with an installed capacity of 1 million kw. or over; and the Huaihai Cement Works in Xuzhou with an annual capacity of 1 million tons of cement.

There are both increases and decreases in investment in other fields.

The number of big and medium-sized construction projects planned for the time being is 987, of which 118 are to be completed and commissioned this year, and another 258 in which only one plant within the overall project will be completed. Their completion and operation will

Jingmen Thermal-Power Plant under construction in Hubei Province.



increase the capacity for coal extraction by 13.6 million tons and that for crude oil by 8 million tons. It will also mean an increase of 4,880,000 kw. in installed power generating capacity, an additional nitrogenous fertilizer capacity of 870,000 tons, an additional capacity of 1,470,000 cubic metres for felling and transport of timber, an increased capacity of 2,120,000 tons for cement, 250,000 tons greater sugar-refining capacity plus an additional 11.6 million tons handling capacity in coastal harbours.

A problem calling for urgent solution at present is that we have far too many projects under construction, with unsatisfactory results. They have consumed a great deal of the country's financial and material resources without providing it with new production capacity in time. In order to concentrate our forces and raise the efficiency of our investment, we must make determined efforts to cut down the number of capital construction projects. Those projects already under construction or scheduled to be built should be strictly examined one by one by the responsible departments. Construction must be terminated or put off in those projects which are not urgently needed by the state or where favourable construction conditions do not exist, or where supplies of fuel, power and raw and semi-finished materials are not guaranteed upon completion. This will help the speedy concentration of financial and material resources on those projects which are urgently needed, and which will add to our production capacity. Of course, the cessation or suspension of the construction of some projects will cause some losses. For instance, part of our construction workers will be left idle, as will some production equipment already arranged for. We should check and clear up orders contracted for equipment, readjust production plans, divert construction workers to other projects and maintain and protect those projects whose construction is to be halted or put off for the time being, in order to reduce losses to the minimum.

Beginning this year, we are setting higher requirements for all capital construction projects. The main ones are as follows: construction must strictly follow capital construction regulations; ample preparations must be made before construction begins; efficiency must be raised, construction quality guaranteed and the cost of construction reduced; budgeting and accounts must be strictly in order and inspection and testing must be carried out. There must also be thorough reviews as regards fulfilment of plans.

In some localities, environmental pollution¹⁾ has become so serious a problem that it demands immediate attention. Both projects under construction and existing enterprises should adopt comprehensive measures for the utilization and treatment of waste water, waste gas and industrial residue (the "three wastes"), so as to protect the environment and people's health. The state has stipulated that in construction projects the principal construction and the building of auxiliary facilities for treatment of the "three wastes" must go hand in hand; their design, construction and commissioning should be simultaneous. This ruling must be strictly observed and brooks no violation.

Geological work must be strengthened so as to provide more mineral resources and accurate geological data for national construction.

5. Strive to increase exports and expand foreign trade.

The acceleration of our four modernizations by an energetic expansion of foreign trade, the importation of advanced technology and the use of funds from abroad, on the basis of independence and self-reliance, is a major policy decision. The plan for 1979 stipulates that our exports shall amount to 19,200 million yuan, an increase of 14.7 per cent over those of 1978, while imports shall total 24,800 million yuan, 32.4 per cent higher than last year's. Out of total import value, new technology and complete sets of equipment this year will cost us 4,730 million yuan, an increase of 220 per cent over the sum last year.

To make a success of this year's import-export plan and to strike a balance in foreign exchange, we must increase foreign currency earnings by every possible means. Localities and departments concerned must pay close attention to exports and foreign currency earnings and appoint competent leading cadres to take charge of such work. These departments and localities must do their best to ensure a steady flow of the export commodities listed in this year's plan. Priority must be given to those supplies needed for the production of export commodities, namely, fuel, power, raw and semi-finished materials and transport facilities and packaging materials. The localities and departments concerned must make the best use of their specific conditions and specialties and open up new export outlets. After guaranteeing the required quotas and planned supply for their own markets, they must adopt manifold and flexible forms to increase exports and foreign currency earnings. Where the volume of



Confectionery exporters studying how to improve packing.

exports actually exceeds planned targets, they will share the foreign currency earnings from the excess part. We must develop tourism in a big way and step up related urban construction and try to earn more foreign currency from non-trade channels. As our country abounds in natural resources and has built a fairly good industrial foundation, the potential for increasing our exports is enormous. It is possible to increase foreign currency earnings by a large margin provided that we step up investigation and study of the international market and enable the production and marketing departments to work in close co-operation, operate flexibly, do our best to improve the quality of our products, boost the variety of marketable goods, improve packaging, deliver goods on time, and strictly abide by contracts and honour our word.

In order to sustain domestic production and expand market supplies, an appropriate increase in the import of general and consumer items has been included in the plan. But the increase must not exceed what is permitted in the plan. Starting from next year, goods and commodities which can be supplied gradually at home, must be gradually cut out of our imports so as to apply a greater part of our newly earned foreign currency to the import of new technology.

The import of new technology and of complete sets of equipment must be preceded by proper investigation and study and overall consideration and arrangement. It must proceed in an orderly way. Priority should be given to those projects which require less investment,

produce quicker results and earn more foreign currency, and this work must be combined as far as possible with the transformation of existing enterprises. In applying for import of new technology and equipment, the departments and localities concerned must present plans for repayment of the sums of foreign currency involved and must make sure that they can manufacture necessary accessories in China. The purchase of manufacturing technology should be stressed and that of complete sets of equipment minimized. Nothing should be imported that can be made and supplied at home. This will save foreign currency and spur our own design and manufacture. We should do more processing and assembly, compensatory trade and co-operative production and should initiate joint ventures with Chinese and foreign investment. With regard to all imported projects, the system of job responsibility should be rigorously implemented so that work is carried out in accordance with contracts signed, their construction and commission on schedule ensured and returns on the investments realized.

6. Strive to increase commodity supplies and make proper arrangements for the home market.

There will be a considerable rise in people's purchasing power in 1979, as compared with 1978, because of the measures taken to raise the purchase prices for farm products and to improve the people's livelihood. It is very important that we should provide sufficient supplies of commodities, balance supply with purchasing power and ensure a stable market. In order to fulfil this task, we should adopt the following measures:

First, we should ensure the fulfilment of the production plan for the light and textile industries and strive to produce more light and textile products to meet market demands.

Second, we should extend the interchange between town and country. Vigorous efforts must be made to get manufactured goods to the countryside. Much of this year's increase in light industrial products such as sewing machines, bicycles and vacuum flasks suited to the needs of rural consumers must go to the rural areas. The purchasing centres of the rural supply and marketing co-operatives should be suitably increased in number so as to enlarge the volume of purchases of farm, sideline, local and special products.

Third, we should take inventory of warehouse stocks destined for domestic and foreign



More sewing machines for peasants.

trade. Surplus goods lying in warehouses should be put on the market. Manufactured daily use items should be put on sale when delivered. Goods destined for foreign markets which prove unsaleable for export should be promptly diverted to the home market.

Fourth, we should organize commodity supply in a rational way. Efforts should be made to cut down the number of intermediate links in the circulation of goods, keep spoilage to a minimum in the course of storage and transport and cut down circulation expenses. More commercial service networks should be created in a planned way and repair trades developed so as to make things more convenient for the people.

Fifth, we should keep prices basically stable and, on this premise, readjust prices which are irrational in a planned and prudent way. Price control must be strengthened. Jacking up selling prices at will

or inflating them in some disguised way is strictly forbidden.

7. Promote science, culture, education and health work.

Correct handling of the relationship between economic and cultural construction and vigorous development of science, education, culture and health work are extremely important for speeding up the four modernizations. Taking financial resources into consideration, the state plans to appropriately increase its spending on science, education, culture and health work in 1979, and to increase its funds for capital construction in these fields, so that there will be a new advancement in all of them.

In scientific research, it is important to study basic theory and at the same time to devote greater energy to research in the area of applied science, focusing on the needs of current production and construction. Intermediate and industrial experimentation should be expanded so that the results of scientific research can be applied to production as quickly as possible. A number of key scientific research institutes should be restored and strengthened and some new ones set up. Research and manufacturing facilities for scientific instruments should be expanded and a better job should be done in publishing scientific and technical journals.

In education, efforts should be made to run the key universities and key secondary and

Language laboratory in the Guangzhou Foreign Languages Institute.



primary schools well and to improve the quality of education. University enrolment this year will be between 270,000 and 300,000. Factory-run colleges, secondary vocational and technical schools should be run well. Spare-time education in the form of TV, radio and correspondence courses should be further developed. The training of professional personnel should be speeded up in a variety of ways. Effective measures should be taken to gradually solve the shortage of school buildings.

In culture, health work, broadcasting and physical culture, endeavours should be made to produce more feature films, enlarge the repertoires of the performing arts, open auditoriums and clubs hitherto reserved for performances for restricted audiences to public use and increase the number of cinemas, theatres and projection teams so as to overcome the present shortage in these areas. Publication work should be strengthened and the quality of publications improved. Hospitals and grass-roots clinics should be strengthened and run more efficiently and techniques and the quality of service should be improved. According to the plan, 80,000 hospital beds will be added in 1979. The patriotic health campaign should be pushed forward vigorously and the facilities for physical culture should be improved. Efforts should be made to improve broadcasting and television services.

Family planning should be effective. The annual population growth rate should be brought down to about 10 per thousand within this year. Leaders at all levels must regard this

task as a matter of major importance and lay stress on relevant propaganda, education, technical guidance and scientific research.

8. Improve the people's livelihood on the basis of developing production.

To improve the people's livelihood step by step on the basis of developing industrial and agricultural production and raising labour productivity is a consistent policy of our Party and a pressing problem which must be solved in our current readjustment work. This year, it is estimated that the income of the rural people's communes, production brigades, production teams and the individual peasants will increase by about 13,000 million yuan as a result of higher purchase prices for farm products, reduction or remission of the agricultural tax in some areas and reduction or remission of the tax on enterprises run by people's communes, production brigades and production teams and as a result of expanding agricultural production. At the same time, the state is preparing to raise the wage grades of part of the workers and staff, continue with the bonus system and provide more employment opportunities. Thus, urban income this year will go up by over 7,000 million yuan. Both urban and rural income will rise by a fairly big margin. In the cities, the state will build more housing space for the workers and staff and expand public utilities as appropriate.

In making arrangements for the labour force, the plan this year is to provide employment for seven and a half million more people in state-owned or collectively owned units. Chances of employment will be further multiplied by the development of collectively owned handicraft industries, repair services and many other trades and services, so that people now waiting for jobs in cities and towns can gradually be suitably placed. Leaders at all levels should make earnest efforts to make such arrangements for the labour force. While taking effective measures to solve the problem, they should act strictly according to state policy and not go their own way.

New flats are being built in Wuhan this year with a total floor space of 200,000 square metres.



Report on the Final State Accounts for 1978 And the Draft State Budget for 1979

Zhang Jingfu

Following are the first two parts of a report delivered by Finance Minister Zhang Jingfu at the plenary meeting of the Second Session of the Fifth National People's Congress on June 21, 1979. The third and last part "Increase Production, Practise Strict Economy and Strive for the Fulfilment of the State Budget for 1979" is omitted. — Ed.

Fellow Deputies,

I have been entrusted by the State Council with making the report on the final state accounts for 1978 and the draft state budget for 1979 which I now submit for your examination.

I. The Final State Accounts for 1978

More than a year has passed since the First Session of the Fifth National People's Congress in March last year. During this period, the people of all our nationalities, in the light of the general task for the new period as set by the 11th National Congress of the Party and the First Session of the Fifth National People's Congress, have made earnest efforts to put into effect the guidelines laid down by the Third Plenary Session of the Party Central Committee. The mass movement to expose and criticize Lin Biao and the gang of four has in the main come to an end, and a lively political situation characterized by stability and unity is taking shape. We have scored big successes on all fronts.

After recovering rapidly in 1977, the economy made new advances in 1978. Despite serious natural difficulties, most parts of the country had a good year, thanks to unremitting struggles waged against nature. Grain output was 22 million tons above that of the previous year, an increase of 7.8 per cent. There were increases, in varying degrees, in oil- and sugar-bearing crops, cotton and other cash crops, and

in livestock. Industrial production went up by 13.5 per cent as compared with 1977. The output of dozens of major products such as iron, steel, coal, crude oil, electricity, chemical fertilizer, cotton yarn, chemical fibres and paper as well as the volume of rail freight fulfilled the state quotas, or exceeded them, all with considerable increases over the previous year. As production rose, domestic and foreign trade expanded rapidly. The volume of retail sales of commodities climbed by 8.3 per cent and the total volume of import and export trade increased by 30.3 per cent. With the rapid economic recovery and growth, the financial situation has improved, and so has the livelihood of the urban and rural people. The rapid improvement of the situation, the speedy expansion of the economy and the big increase in state revenue in 1978 were unprecedented for many years. They prove that the line, principles and policies adopted by our Party and government since the smashing of the gang of four are entirely correct; they also prove the great outpouring of the people's enthusiasm for socialism after breaking out of the mental shackles imposed by the gang.

The 1978 final state accounts are as follows: State revenues for the year totalled 112,111 million yuan, and state expenditures 111,093 million yuan. Revenues and expenditures were in balance, with a cash surplus of 1,018 million yuan. Compared with 1977, state revenues increased by 28.2 per cent and expenditures by 31.7 per cent.

Pursuant to a big increase in 1977, the state revenue in 1978 went up by 20,400 million yuan. (Calculated in terms of the figures in the final state accounts, the increase was 24,600 million yuan. Calculated in terms of comparable items, the increase was 20,400 million yuan, or upwards of 23.4 per cent.) The revenue for 1978 exceeded the expenditure, leaving a small cash surplus in hand. Therefore, we can say that after the efforts of 1977 and 1978 the situation has changed radically. State revenues have grown by a

wide margin since their stagnation and decline in the days when the gang of four was on the rampage; then our state finances were in a tight spot and faced worsening prospects, now our state finances are constantly tapping new resources to meet, in the main, the needs of expanding production and construction. This is an overall reflection of the rapid improvement of the nationwide financial and economic situation and an important indication of the substantial results achieved in the first three years of our campaign to put the country in order with class struggle as the key link. This great victory has been achieved because, under the leadership of the Party Central Committee headed by Comrade Hua Guofeng, all localities, departments and organizations have implemented the principles and policies of our Party and government and the workers, peasants, intellectuals and other working people have worked hard and concertedly.

The big increase of state revenues in 1978 had as its background the rapid recovery and progress of our industrial and agricultural production. It was also the result of successes in overhauling enterprises and turning those which had run at a deficit into profit-making ones. With production restored and expanded last year, the country's industrial and commercial tax revenue rose to 45,100 million yuan, 12.6 per cent higher than the previous year, and the income from state-owned industrial enterprises was 44,000 million yuan, an increase of 35 per cent. Enterprises in industry, communications, commerce and agriculture which had been in the red cut down their deficits by 2,600 million yuan in 1977 and by a further 3,250 million yuan in 1978.

The rise in industrial and agricultural production and in state revenues brought improvements in the people's livelihood in town and country. In the rural areas where economic policies were put into effect, farm and sideline production grew by leaps and bounds, and the income of commune members derived from the collectives grew by 13.7 per cent as compared with 1977. In towns and cities, 40 per cent of the workers and staff were put into higher wage-brackets, another 20 per cent received wage rises in varying degrees, and many others earned bonuses. Employment grew, bringing the total number of workers and staff to 94.99 million, or 3.87 million above that of 1977. Readjustments in wages for workers and staff in the lower income brackets had actually been decided on by the State Council for three years

in a row, between 1974 and 1976. But action was blocked by the disruptive manoeuvres of the gang of four. After the gang's downfall, when the financial and economic situation took a turn for the better, readjustments of wages were made in October 1977. By the end of 1978 the country's workers and staff had earned some 2,750 million yuan more as a result. The masses of wage and salary earners were, in general, satisfied with this boost.

In total expenditures for 1978, the major outlays included 39,500 million yuan for capital construction and, with the addition of those parts of the regular reserve funds and other standby financial resources earmarked for capital construction in local budgets, and other reserve funds, put aside for capital construction, the total came to 45,192 million yuan, or 50.2 per cent more than the year before; a sum of 16,778 million yuan, 22.6 per cent higher than in the previous year, was allocated for tapping the potential of existing enterprises and for their renovation (expenses for renewal or technical transformation of plant buildings, machinery and equipment and other fixed assets), and for circulating funds and outlays for geological surveys and for undertakings in industry, communications and commerce; the financing of rural people's communes and other agricultural undertakings absorbed 7,695 million yuan, a rise of 51.8 per cent; expenditures on culture, education, public health and science totalled 11,266 million yuan, an increase of 24.9 per cent; expenditures on national defence and preparations against war totalled 16,784 million yuan, an increase of 12.6 per cent; and administrative expenses came to 4,908 million yuan, an increase of 13.3 per cent.

The increase in financial outlay has contributed to the development of production and construction and other fields of endeavour. New productive capacity acquired through capital construction last year consisted mainly of the following: 1.12 million tons for steel, 11.51 million tons for coal, 9.996 million tons for crude oil, a power generating capacity of 5.05 million kw., and 806 kilometres of railway track-laying. Agriculture acquired an additional 90,000 large and medium-sized tractors, 280,000 walking tractors and more than 20.17 million h.p. of other farm machines. In view of last year's severe droughts, the State Council, to supplement local disbursements, appropriated an additional 1,200 million yuan for the protection of crops against drought. According to statistics compiled by Jiangsu, Anhui, Hubei and eight

other provinces seriously hit by droughts, over 170,000 million cubic metres of water were diverted, elevated or stored to irrigate over 580 million *mu* of land. In culture and education, 293,000 new students were enrolled in universities and colleges as planned not including the later enlarged enrolment of 107,000 students from the localities, 447,000 in secondary vocational schools and nearly 27 million in middle schools. In public health, 79,000 hospital beds were added. New progress was made in science. A number of scientific research institutes were restored or newly established and research work was strengthened.

Many localities and departments limited and economized on their non-productive spending, in response to a circular by the State Council. Last year, the institutional purchases, that is, purchases made on the market for public use by the nation's government departments, mass organizations, army units, enterprises and establishments, came to 14,300 million yuan, 600 million or 4.4 per cent more than the previous year. In the years when the gang of four held sway, the institutional purchases had swelled by an annual average of 1,000 million yuan or more. The fact that they did not grow as much in 1978, a year of rapid rehabilitation and expansion in many areas, indicates that efforts to economize were effective.

However, there were also shortcomings in our work last year. When the sources of our revenue multiplied at a fast tempo, we tended to see mainly the favourable conditions, and to pay too little attention to the problems and difficulties. Additional investments in capital construction were a bit too large. Importation of new technology was a bit too hasty and the steps taken were not steady enough. Control over the scope and criteria of the distribution of bonuses to workers and staff left much to be desired, and in some places and units egalitarianism was allowed. We should draw the lessons from all this, and improve our work.

Fellow deputies, we have achieved big successes in restoring and expanding our economy during the last two years. Nevertheless, we see clearly that the evil consequences of the grave sabotage of the economy by Lin Biao and the gang of four cannot be eliminated in a short time. We still face quite a few problems and have to overcome many difficulties that lie ahead. The serious disproportions in certain branches of the economy have not, in most of their essentials, been rectified as yet,

the growth of agriculture and light industry still cannot meet the needs of the development of industry and the improvement of the people's livelihood and there are tensions in the supply of fuel, power and building materials and in transport and communications services. Capital construction is too large in scale and spread over too many projects for the country's financial and material resources at present, and returns from investments are very unsatisfactory. The proportion of accumulation in the state revenues exceeds reasonable limits. Many problems concerning the life of the people still await solution including problems of employment, wages for workers and staff, public utilities, urban housing, environmental protection, cultural, educational and health facilities. In management, there is shocking confusion and waste in some production units and in some organizations not engaged in production. All these problems affect our finances directly or indirectly, so it is necessary that we make comprehensive arrangements under the principle of overall consideration and solve these problems step by step. For some time in the past, we did not understand clearly enough the difficulties and problems facing us. Now after two years of practice, we have gained a better and deeper understanding. Under the leadership of the Party Central Committee and the State Council, we are determined to take an active and prudent attitude and adopt effective measures to solve these problems step by step and in a planned way.

II. The Draft State Budget for 1979

Readjustment is the overriding task for our economy today. Following the decision to shift the focus of the Party's and country's work to socialist modernization, the State Council decided that, on the basis of the solid achievements in economic recovery and growth in the past two years, the nation should devote three years, beginning from 1979, to readjusting, restructuring, consolidating and improving the economy in order to bring it step by step on to the path of sustained, proportionate and high-speed development. According to this principle and plan, in our financial work in 1979 we must further tap potentials, open up new resources and increase revenue by overhauling enterprises and developing production; our financial work

must help to strengthen agriculture, light industry and such weak links as the coal, power, petroleum and building material industries and transport services, to enhance the level of culture, education, public health and science, to increase our national defence capabilities and preparations against war, and to steadily improve the people's livelihood, taking into consideration the readjustment of the economy and making rational arrangements in outlays; revenue and expenditure must be managed with a firm hand, spending must be kept within the limits of income and everything possible must be done to balance revenues and expenditures by overhauling various aspects of financial work; and finally we must begin to restructure the system of fiscal control and the financial management of the enterprises and bring into full play the initiative of the central departments, localities and enterprises as well as that of the workers and staff by taking firm and steady steps.

In the draft state budget for 1979 put before the current session for its deliberation and examination, revenue and expenditure are balanced, at 112,000 million yuan each.

The total state budgetary revenues for 1979 tally with the final state accounts of last year, because the higher purchase prices for farm and sideline products, the upward readjusted wages for part of the workers and staff and the reduced or exempted taxes for some rural areas have already been deducted as have funds for providing more employment opportunities and for the trial implementation of the system of enterprises' funds. These total 16,600 million yuan. Calculated in terms of comparable items, the total revenue for 1979 would be 128,600 million yuan, an increase of 14.7 per cent over last year. Viewed as a whole, the budgetary revenues for 1979 are calculated in such a way that efforts are needed to raise them.

I will now give explanations of some important details of the revenues and related questions of policy:

(1) In planning the state budgetary revenues for 1979 we take into full account the favourable conditions for increasing revenues through increasing production and tapping potentials. According to the draft national economic plan for 1979, total agricultural output value will be 4 per cent higher than the previous year and that of industry 8 per cent. The total revenue in the 1979 state budget will increase by 14.7 per cent calculated in terms of com-

parable items. As a general rule, the rate of increase of state revenues is a shade smaller than that of gross industrial output value, but last year and this year to date it has turned out to be higher. This is mainly because the state revenues involve such factors as reduction of industrial production costs and commodity circulation expenses as well as increased earnings by those enterprises which have checked losses from poor management and have started to earn profits. In accordance with the arrangements for ending managerial losses and increasing profits, those industrial enterprises running at a loss are required to cut their losses by 30 per cent this year while commercial concerns must cut them by 15 per cent. At present, quite a number of enterprises are still turning out low quality, unwanted products whose consumption of raw materials is too high and whose profits are too low, with even losses in some cases. Such enterprises must reorganize and mobilize their workers and staff to make a substantial effort to turn deficits into profits.

(2) In order to readjust the proportions between agriculture, light industry and heavy industry and expand agricultural production, the State Council has decided on the important policy measure of raising the purchase prices of grains by 20 per cent for the state-planned purchase quotas, and as regards state above-quota purchases by an additional 50 per cent over the new prices, to come into effect when this summer's grain harvest comes on the market. Purchase prices of cotton, oil-bearing crops, pigs and other farm and sideline products will also be raised appropriately and step by step as specific conditions require. Meanwhile, in order to give support to agriculture and lighten the burden of the peasants, the state will grant the reduction or remission of agricultural tax in some places and of the tax on enterprises run by communes, production brigades and production teams. The breadth and scale of this rise in purchase prices of farm and sideline products is unprecedented, and such reductions and exemptions in rural taxes are also rare. These measures are expected to boost the earnings of the communes, production brigades and production teams by more than 7,000 million yuan this year. Due to interference and sabotage by Lin Biao and the gang of four over the past few years, rural economic policies could not be implemented and the 800 million peasants, after toiling all the year in the fields, saw little increase in their annual income from their collectives. This year, as a result of the

measures taken by the state, each peasant, on a national average, will get between nine to ten yuan more in annual income. This will help gradually to rationalize the ratio between accumulation and consumption and do much to mobilize the socialist enthusiasm of the peasant masses and speed up agricultural production. In financial terms, the adoption of these measures will mean a short-term fall in revenues. But in the long range, so long as agricultural production goes up, the entire national economy will develop at a higher speed and thus provide a more solid foundation for the increase of state revenues. Therefore, this major decision was highly necessary. And it has gained support and endorsement by the whole people, and the peasants in particular.

(3) As production rises, the living standards of both the urban and rural population will be appropriately raised. The state plan provides for an appropriate increase in wages and salaries of part of the workers and staff in 1979. Increases in employment are also planned in accordance with the principle of overall consideration. The draft national economic plan provides for the employment of 7.5 million additional people this year. To raise the wages and salaries of workers and staff, increase employment opportunities and gradually improve the people's livelihood have always been important concerns of the people's government. In the past two years and more, successive measures have been taken to raise to some extent the income of a large number of workers and staff, and particularly of those in the lower income brackets. Since so many problems have piled up over the years, it is impossible to settle all these "debts" at one stroke. As many economic difficulties still confront our state, increases in wages, salaries and employment can only be gradual, as permitted by the development of production and by our financial and material resources. We are putting the situation squarely before the whole nation, and we are sure the masses of workers and staff will respond with understanding. Questions of livelihood affect hundreds of millions of people directly and are therefore important issues of policy. On the one hand, we must keep the people's livelihood very much at heart and be positive and earnest in seeking solutions. On the other hand, we must consider all aspects and make arrangements that benefit the entire people. All factors must be taken into account, and no one can be allowed to go his own way, otherwise new contradictions will ensue.

(4) With a view to giving the enterprises wider powers of decision and thus enhancing the enthusiasm of their workers and staff in increasing production and practising economy, the State Council decided in November 1978 to initiate an enterprise fund system and try it out in state-owned enterprises. Under it, any enterprise that has fulfilled its quotas under the state plan in all respects will be entitled to put a certain proportion of its profits into an enterprise fund to be disbursed for collective welfare for its workers and staff and for awards in its socialist labour emulation drive. Such funds now amount to about 1,700 million yuan a year. Since the experiments began, this system has helped to spur the enthusiasm of workers and staff. However, judging from experience during trial implementation, certain stipulations are not entirely suitable and need to be improved after further study.

The total budgeted expenditure of 112,000 million yuan for 1979, as distributed in line with the policies, tasks and requirements in readjusting the economy, breaks down essentially as follows:

(1) Appropriations for capital construction total 39,000 million yuan, of which capital construction investments comprise 36,000 million yuan and reserve funds for capital construction 3,000 million yuan. Compared with the previous year, the proportion of capital construction appropriations in the total budgeted expenditure has been reduced from 40.7 per cent to 34.8 per cent. Here some explanations are in order. A good part of the regular reserve funds and other standby financial resources the state puts aside for the localities each year are spent on capital construction. So at year's end, the actual percentage of appropriations for capital construction in the total budgetary expenditure turns out to be somewhat higher than estimated at the beginning of the year. Capital construction appropriations for 1979 are arranged in accordance with the principle of priority development of agriculture, light industry and heavy industry in that order and with the present need to narrow the scope of capital construction. Compared with 1978, the proportion of investments in agriculture has gone up from 10.7 per cent of the total expenditure to 14 per cent, and in the light and textile industries from 5.4 to 5.8 per cent. Moreover, the state plans to appropriate, in such forms as loans for small-scale technical innovations, some funds and foreign exchange for developing production and construction in the light and textile industries. While giving

first priority to investments in agriculture and light and textile industries in 1979, the state ensures the proper allocation of funds to such key branches as the fuel and power industries, and to the transport and communications services. Readjustments in investments for capital construction must be followed by changes as regards the projects undertaken. Some should definitely be completed, some postponed, and some discontinued altogether. Only thus can we press on with those major projects urgently required by the state, concentrate our resources where they are really needed, make our investments yield greater results and gradually bring about a co-ordinated growth of the various branches of our economy.

(2) Funds allocated for tapping the potential of enterprises, or for transforming enterprises, amount to 2,900 million yuan, and for subsidizing the trial manufacture of new products, 2,700 million yuan. Both items fall within the category of direct state appropriations. According to our present structure of management, expenses for tapping the potentials of enterprises, or for renovating or transforming enterprises, are chiefly paid out of the depreciation funds kept by the enterprises themselves. In 1979, the state-owned enterprises will have about 16,000 million yuan as depreciation funds available; apart from a small portion to be used by the central and local financial departments for certain key purposes, such funds will mostly be distributed and used by the enterprises themselves, and by the competent authorities. The enterprises we have built over the years comprise our main striking force in promoting the development of our economy. It is worth spending a bit more money to raise the production capacity of these enterprises, long in existence, which costs much less and can give quicker results in a much shorter time than newly built ones. Hence it is absolutely necessary that we lay stress on tapping the potential of the existing enterprises, and on their renovation and transformation in order to accelerate China's four modernizations.

(3) Additional allocations of circulating funds to enterprises account for 4,300 million yuan, and of credit funds to banks, 600 million yuan. Both are below the corresponding figures last year. At present, we are confronted with a striking problem: huge sums in circulating funds are lying idle in the spheres of production and circulation, there is serious overstocking of materials, and the turnover of

funds is sluggish. Take industrial enterprises, such circulating funds are roughly 25 per cent more than what they were entitled to. We must urge the enterprises to put their surplus materials to better use, speed up the turnover of their funds, exploit their financial potential, make full use of funds and eliminate the waste that results from hoarding funds and overstocking materials.

(4) Expenditures for aiding rural people's communes and other operating expenses for agriculture total 7,050 million yuan. If we add to this the 7,800 million yuan that will flow to the countryside from the capital construction investments, circulating funds of enterprises and social relief funds, and another 2,550 million yuan in agricultural loans from banks, the amount earmarked for agriculture in 1979 comes to more than 17,400 million yuan. If we include the more than 7,000 million yuan accruing to the communes, production brigades and teams and individual peasants from the increases in the state's increased purchase prices for farm and sideline products, and from reduction and remission of the rural taxes, the total sum going to agriculture will exceed 24,000 million yuan. Never since the founding of the People's Republic has the state allocated such a big sum for agricultural expansion. We must handle these funds with care, and use them well to get the best results.

(5) Allocations for culture, education, health work and science amount to 12,080 million yuan. The enrolment in institutions of higher education this year will be 270,000 to 300,000, in secondary vocational schools 520,000, and in the primary and ordinary secondary schools very large. Hospital beds are to increase by 80,000. There will be new expansion in science and various cultural undertakings. Here it should be said that the expenditure of 619 million yuan on science listed in the budget covers only the operating expenses for the Chinese Academy of Sciences, the State Scientific and Technological Commission and their affiliated organizations. With the addition of the investments in capital construction allocated to them, and of the expenses and investments earmarked for scientific research by other departments, total expenditures on science will amount to some 5,870 million yuan, an increase of some 10 per cent over that of 1978 (expenditure on scientific research in grass-roots units is not included for lack of statistics). Our work in the fields of culture,

education, public health and science still falls far short of meeting the needs of the four modernizations. Further increases in allocations will, in the final analysis, depend on economic growth. We shall continue to increase the expenditure in these fields as production expands and the state revenue rises.

(6) Expenditures on national defence and preparations against war account for 20,230 million yuan. Last February and March, when our country was compelled to launch a limited counterattack in self-defence against the aggression by Viet Nam, there was some increase in military spending. In addition, our border defence needs to be strengthened. It is therefore reasonable that the proportion of our spending on national defence and preparations against war should increase, to some extent, in the total budget.

(7) Foreign aid takes 1,000 million yuan. At this stage, China is still a developing country, so the size of our foreign aid can only be what we can afford. Still, we must try to give such aid to the best of our ability.

(8) The regular reserve funds of the state account for 1,600 million yuan. According to the stipulation of our present financial system, this year the localities will receive a share of the revenues totalling more than 2,960 million yuan. This money plus their regular reserve funds will be used chiefly to finance the development of agricultural production, culture, education and health work.

On the whole, the budgetary revenue and expenditure breakdown given above conforms to the policy of readjusting the economy. It may be summed up as follows: firstly, the proportions between agriculture, light industry and heavy industry are readjusted to give greater emphasis to supporting agriculture; secondly, among the industrial departments, the emphasis is on the light and textile, fuel and power, and building material industries and on transport and communications services; thirdly, the ratio between accumulation and consumption is adjusted to allow for steady improvement of the livelihood of the people as production rises. This budget is one that will expedite the growth of our economy, one that will stabilize the present fine situation and help it to improve further still. One must admit, however, that this is a tight budget. The budgeted revenues of 112,000 million yuan can be realized only through great efforts, and unanticipated problems in connection with the

budgeted expenditures may crop up in the course of readjusting the economy. Hence, we must pay very close attention to increasing production and practising economy, increasing income while cutting down expenses. We must also make a big effort to strike an overall balance and attain the revenue and expenditure targets set for the whole year. We are sure that fulfilment of this budget will set the three-year economic readjustment on the right course and steer the economy gradually on to the path of sustained, proportionate and high-speed development.

Fellow deputies, here I would like to take up the question of how to take vigorous but steady steps to reform the system of financial administration and give the enterprises greater power of decision-making in financial matters while we proceed with the work of economic readjustment. From the point of view of the relationship between central and local finance, the current system of financial administration still has not really achieved differentiated administration. Financial powers and responsibilities are not clearly defined. Where there should be centralization there isn't, and where there should be decentralization, it's missing. All in all, there is too much centralization, which is not good for promoting the initiative of either the central or the local authorities. In relations between the state and the enterprises, on the one hand, there is the malady of too much control, over-tight management, and on the other, there is confusion in management, go-it-alone decisions, a reckless drawing and spending of money, and the dispersion and waste of state funds. In order to gradually solve these problems, we have adopted some partial measures to effect improvements. Within the framework of the financial system, in certain localities, we are trying out the policy of "proportionate sharing of the revenue" (that is, the sharing of the revenue of the locality with the central authorities in proportions determined by the ratio of the locality's expenditure to its revenue) and the policy of "proportionate sharing of increased revenue" (namely, the sharing of the yearly increase in the revenues of a given locality between the central authorities and the authorities of that locality according to a certain ratio). In order to expand the financial powers of the enterprises, the system of allowing state enterprises to draw enterprise funds has been given a trial. We intend to take a further step forward next year by trying out

a local finance policy of "linking local expenditures and revenues, sharing total revenues between local and central authorities at fixed ratios and holding ratios unchanged for a three year period," and also trying out a policy of leaving a share of the profits with some enterprises. Linked up with these reforms will be partial improvements in the taxation system relating to industry and commerce. The reform of the whole structure of economic

management is the necessary precondition for an overall reform of the system of financial administration, the management of finance in enterprises, and the taxation system. We must carry out thorough investigations, probing, experiments and practice, co-ordinating them with reforms in the structure of management relating to planning, materials, capital construction and enterprises, before we can submit a well-conceived plan.

The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment

(Adopted by the Second Session of the Fifth National People's Congress on July 1, 1979)

The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment was promulgated and became effective on July 8. Following is an unofficial translation of the full text of the law. — Ed.

Article 1. With a view to expanding international economic co-operation and technological exchange, the People's Republic of China permits foreign companies, enterprises, other economic entities or individuals (hereinafter referred to as foreign participants) to incorporate themselves, within the territory of the People's Republic of China, into joint ventures with Chinese companies, enterprises or other economic entities (hereinafter referred to as Chinese participants) on the principle of equality and mutual benefit and subject to authorization by the Chinese Government.

Article 2. The Chinese Government protects, by the legislation in force, the resources invested by a foreign participant in a joint venture and the profits due him pursuant to the agreements, contracts and articles of association authorized by the Chinese Government as well as his other lawful rights and interests.

All the activities of a joint venture shall be governed by the laws, decrees and pertinent rules and regulations of the People's Republic of China.

Article 3. A joint venture shall apply to the Foreign Investment Commission of the People's Republic of China for authorization of the agreements and contracts concluded between the parties to the venture and the articles of association of the venture formulated by them, and the commission shall authorize or reject these documents within three months. When authorized, the joint venture shall register with the General Administration for Industry and Commerce of the People's Republic of China and start operations under license.

Article 4. A joint venture shall take the form of a limited liability company.

In the registered capital of a joint venture, the proportion of the investment contributed by the foreign participant(s) shall in general not be less than 25 per cent.

The profits, risks and losses of a joint venture shall be shared by the parties to the venture in proportion to their contributions to the registered capital.

The transfer of one party's share in the registered capital shall be effected only with the consent of the other parties to the venture.

Article 5. Each party to a joint venture may contribute cash, capital goods, industrial property rights, etc., as its investment in the venture.

The technology or equipment contributed by any foreign participant as investment shall be truly advanced and appropriate to China's needs. In cases of losses caused by deception through the intentional provision of outdated equipment or technology, compensation shall be paid for the losses.

The investment contributed by a Chinese participant may include the right to the use of a site provided for the joint venture during the period of its operation. In case such a contribution does not constitute a part of the investment from the Chinese participant, the joint venture shall pay the Chinese Government for its use.

The various contributions referred to in the present article shall be specified in the contracts concerning the joint venture or in its articles of association, and the value of each contribution (excluding that of the site) shall be ascertained by the parties to the venture through joint assessment.

Article 6. A joint venture shall have a board of directors with a composition stipulated in the contracts and the articles of association after consultation between the parties to the venture, and each director shall be appointed or removed by his own side. The board of directors shall have a chairman appointed by the Chinese participant and one or two vice-chairmen appointed by the foreign participant(s). In handling an important problem, the board of directors shall reach decision through consultation by the participants on the principle of equality and mutual benefit.

The board of directors is empowered to discuss and take action on, pursuant to the provisions of the articles of association of the joint venture, all fundamental issues concerning the venture, namely, expansion projects, production and business programmes, the budget, distribution of profits, plans concerning manpower and pay scales, the termination of business, the appointment or hiring of the president, the vice-president(s), the chief engineer, the treasurer and the auditors as well as their functions and powers and their remuneration, etc.

The president and vice-president(s) (or the general manager and assistant general manager(s) in a factory) shall be chosen from the various parties to the joint venture.

Procedures covering the employment and discharge of the workers and staff members of a joint venture shall be stipulated according to law in the agreement or contract concluded between the parties to the venture.

Article 7. The net profit of a joint venture shall be distributed between the parties to the venture in proportion to their respective shares in the registered capital after the payment of a joint venture income tax on its gross profit pursuant to the tax laws of the People's Republic of China and after the deductions therefrom as stipulated in the articles of association of the venture for the reserve funds, the bonus and welfare funds for the workers and staff members and the expansion funds of the venture.

A joint venture equipped with up-to-date technology by world standards may apply for a reduction of or exemption from income tax for the first two to three profit making years.

A foreign participant who re-invests any part of his share of the net profit within Chinese territory may apply for the restitution of a part of the income taxes paid.

Article 8. A joint venture shall open an account with the Bank of China or a bank approved by the Bank of China.

A joint venture shall conduct its foreign exchange transactions in accordance with the Foreign Exchange Regulations of the People's Republic of China.

A joint venture may, in its business operations, obtain funds from foreign banks directly.

The insurances appropriate to a joint venture shall be furnished by Chinese insurance companies.

Article 9. The production and business programmes of a joint venture shall be filed with the authorities concerned and shall be implemented through business contracts.

In its purchase of required raw and semi-processed materials, fuels, auxiliary equipment, etc., a joint venture should give first priority to Chinese sources, but may also acquire them directly from the world market with its own foreign exchange funds.

A joint venture is encouraged to market its products outside China. It may distribute its export products on foreign markets through direct channels or its associated agencies or China's foreign trade establishments. Its products may also be distributed on the Chinese market.

Wherever necessary, a joint venture may set up affiliated agencies outside China.

Article 10. The net profit which a foreign participant receives as his share after execut-

ing his obligations under the pertinent laws and agreements and contracts, the funds he receives at the time when the joint venture terminates or winds up its operations, and his other funds may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations and in the currency or currencies specified in the contracts concerning the joint venture.

A foreign participant shall receive encouragements for depositing in the Bank of China any part of the foreign exchange which he is entitled to remit abroad.

Article 11. The wages, salaries or other legitimate income earned by a foreign worker or staff member of a joint venture, after payment of the personal income tax under the tax laws of the People's Republic of China, may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations.

Article 12. The contract period of a joint venture may be agreed upon between the parties to the venture according to its particular line of business and circumstances. The period may be extended upon expiration through agreement between the parties, subject to authorization by the Foreign Investment Commission of the Peo-

ple's Republic of China. Any application for such extension shall be made six months before the expiration of the contract.

Article 13. In cases of heavy losses, the failure of any party to a joint venture to execute its obligations under the contracts or the articles of association of the venture, force majeure, etc., prior to the expiration of the contract period of a joint venture, the contract may be terminated before the date of expiration by consultation and agreement between the parties and through authorization by the Foreign Investment Commission of the People's Republic of China and registration with the General Administration for Industry and Commerce. In cases of losses caused by breach of the contract(s) by a party to the venture, the financial responsibility shall be borne by the said party.

Article 14. Disputes arising between the parties to a joint venture which the board of directors fails to settle through consultation may be settled through conciliation or arbitration by an arbitral body of China or through arbitration by an arbitral body agreed upon by the parties.

Article 15. The present law comes into force on the date of its promulgation. The power of amendment is vested in the National People's Congress.

Rong Yiren on Joint Ventures

RONG Yiren, deputy to the National People's Congress and Vice-Chairman of the All-China Federation of Industry and Commerce, discussed the law on joint ventures using Chinese and foreign investment, which came into force on July 8, in a press interview.

The well-known former industrialist, who is in his sixties, will head the China International Trust and Investment Company that is scheduled to start business shortly.

He said: "This law embodies the principle of equality and mutual benefit in economic co-operation and technical exchange between China and other countries. I think it has answered some of the basic questions posed by our friends abroad in business circles."

Rong Yiren said that when he visited the Federal Republic of Germany, France, Switzerland and Xianggang (Hongkong) in April and May, he had met many foreign businessmen, overseas Chinese, compatriots in Xianggang and Aomen (Macao) and had had lively discussions with them on how to develop economic co-operation and technical exchange.

"At that time," he said, "we all agreed that the trading relations of the past should be expanded into a relationship to involve co-operation in capital and technology. But many thought that some basic questions had to be solved before there could be effective co-operation in joint ventures between countries with different social systems.

"First, they wanted to know whether there was any legal protection for their capital and

profit if they were to invest, and whether the profits they had earned could be sent abroad in foreign currency. They were also concerned about whether China would maintain a consistent policy of absorbing foreign investment."

Rong said that such worries should be dispelled now by the stress laid by Premier Hua Guofeng on China's intention to follow a consistent policy of economic co-operation and technical exchange with other countries. He quoted the Premier in his Report on the Work of the Government at the opening of the N.P.C. session:

"Both in the three-year period of economic readjustment and in subsequent years, we shall be taking energetic steps to develop foreign trade, expand economic co-operation and technical exchange with foreign countries and employ various appropriate means, current in international practice, to absorb funds from abroad. This is a firm, important policy of our government."

Rong pointed out that the law on joint ventures had been examined and passed by the N.P.C. — the highest organ of state power. He cited some of the articles in this new law. These articles provide legal protection by the Chinese Government for investments, profits and other lawful rights of foreign parties involved in joint ventures in China. The net profit earned by a foreign party to a joint venture can be sent abroad in currency or currencies specified in contracts signed in accordance with China's regulations on foreign exchange.

The same procedures would apply to capital and other funds belonging to foreign in-

vestors in joint ventures when they suspended or terminated operations, he said.

Rong then went on to talk about the rights of foreign investors with regard to the running of enterprises. "Foreign partners," he said, "can be vice-chairmen of boards of directors, and they can be presidents or vice-presidents. The board of directors with members appointed by both Chinese and foreign investors will discuss and adopt resolutions on all major issues of the venture including its expansion plans, production and business programmes, budget, distribution of profits, the appointment or hiring of the president, the chief accountant and other important posts."

Rong made it clear that all the rights and consideration to be given to foreign partners must not be harmful to the sovereignty of China.

He said: "The law specifies that the operations of a joint venture shall be governed by the laws, decrees and pertinent regulations of the People's Republic of China. Besides, it is also beneficial to our socialist modernization if we strengthen economic co-operation and technical exchange. The stress is on independence as well as on equality and mutual benefit."

Rong said that two organizations were being set up by the government, which would be of importance to joint ventures. One is the Foreign Investment Commission which will have the power to approve or turn down the establishment of joint ventures. Another is the China-International Trust and Investment Company, a business organization that would co-ordinate the use of foreign investment and technology.

Support Korean People's Just Stand

On July 10, a spokesman for the Foreign Ministry of the Democratic People's Republic of Korea issued a statement on the "three-way talks" proposal put forward by the United States and the south Korean authorities. Chinese Foreign Minister Huang Hua voiced support for the stand of the Korean Government at a banquet given on the following evening by the Korean Ambassador to China, Jon Myong Su, on

the occasion of the 18th anniversary of the signing of the Korea-China Treaty of Friendship, Co-operation and Mutual Assistance. On July 13, an article by "Renmin Ribao" Commentator was published. The full text reads as follows — Ed.

ON July 10, a spokesman for the Foreign Ministry of the Democratic People's Republic of Korea issued a statement which expounded

his country's stand and principles on the recent "three-way talks" proposed by the United States and the south Korean authorities. The Chinese Government and people resolutely support D.P.R.K.'s just stand and reasonable proposal, and hold that the U.S. Government should seriously consider and positively respond to the statement.

As is well known, there are two aspects to the Korean question. One is the reunification of the country, a matter for the Korean people themselves which neither needs nor brooks any interference from outside; the other is of an international nature, namely, the presence of U.S. troops in south Korea which is a basic factor creating tensions on the Korean Peninsula and obstructing the reunification of Korea, and which should be settled by the D.P.R.K. and the United States through negotiations under the principle that U.S. troops should withdraw from south Korea and the armistice agreement should be replaced with a peace agreement. These two aspects are of a different nature and should not be confused. Therefore, it is crystal clear that if the "three-way talks" are to deal with Korea's reunification, U.S. participation is uncalled-for and any U.S. meddling constitutes an interference in the internal affairs of Korea; if the "three-way talks" are to cover the question of withdrawing U.S. troops and replacing the armistice agreement with a peace agreement, then south Korea, not being a signatory to the armistice agreement, is not qualified to take part. In consequence, the proposal put forward by the United States and the south Korean authorities for a "meeting of senior official representatives" or "three-way talks" to be participated in by Korea, the United States and south Korea, is infeasible and unreasonable.

The D.P.R.K. has always stood for the independent and peaceful reunification of the country. To pave the way for this reunification, it has on several occasions proposed talks with the United States to settle the question of withdrawing the U.S. troops from south Korea and easing tensions on the Korean Peninsula. On June 24, the Workers' Party of Korea and 17 other political parties and mass organizations

issued an appeal which once again explicitly stated that if the United States takes a correct attitude towards the materialization of Korea's reunification, the D.P.R.K. would be ready to hold negotiations with the United States at any time to settle all the issues which need to be solved. At the same time, the Korean Government has striven unremittingly to bring about the realization of a dialogue with the south, and has put forward a reasonable formula for an independent and peaceful reunification through dialogue. Not long before, the Korean Central News Agency was authorized to issue a statement expressing the readiness of the north for a meeting with Pak Jung Hi. All this fully demonstrates the sincere attitude of the Korean Government and people and their firm determination to reunify the country, for which they have enjoyed the sympathy and support of the people of China and the rest of the world.

The greatest aspiration and demand of the entire Korean people is to reunify their country at the earliest possible date. The split of the Korean nation for nearly one-third of a century has brought terrific misery to the Korean people. The division is completely man-made and was caused by U.S. aggression and the continued U.S. military occupation of south Korea. For the reunification of Korea, the United States must first of all evacuate all its armed forces and military equipment from south Korea, renounce its policy of perpetuating the division of Korea by creating "two Koreas," and let the Korean people solve the question of national reunification free from any foreign intervention. Any pretext for altering a phase-out plan of U.S. troops is utterly groundless, and any manoeuvre to obstruct Korea's reunification will be unpopular and doomed to fail. The struggle of the Korean people for their fatherland's reunification is righteous. Their just cause is sure to triumph. The Chinese people are convinced that under the wise leadership of the Korean Workers' Party and President Kim Il Sung, the Korean people, through arduous efforts, will surely accomplish their great cause of an independent and peaceful reunification of their fatherland. A unified, prosperous and strong Korea will surely emerge in east Asia.

KAMPUCHEA

Revolt in Enemy-Occupied Areas

Insurrections in the Vietnamese-controlled area in Kampuchea have been on the rise since early June; members of puppet "village committees" and the Hanoi-armed self-defence guards, and civilians have been fleeing from the tyrannical rule of the aggressors into the liberated zones.

On June 15, Vietnamese forces clashed with the Han Samrin puppet troops in Kratie, some 90 miles from Phnom Penh. Afterwards the Vietnamese detained and executed some of these soldiers at which point more than 200 puppet army men went over to the liberated areas. On the same day, 1,000 people and members of the self-defence guards in Santuk County, Kompong Thom Province, rose in revolt, killing or wounding over 50 Vietnamese invaders and raiding an enemy warehouse before joining the guerrillas. On June 18, 15 families from a village in Kongpisey District of the Kompong Speu area crossed over to the people's side after killing 30 Vietnamese invaders.

The Vietnamese armoured troops ran into serious difficulties when the rainy season began in May. The Kampuchean revolutionary armed forces and guerrillas were then able to successively launch attacks in the central Provinces of Kompong Cham and Kompong Thom. The guerrillas extended their base area to highways Nos. 6, 7 and 21 during May and conducted operations in a dozen counties. In June they cut enemy communication and transportation lines and trounc-

ed the invaders both on the perimeters and inside enemy-controlled areas. Completely bogged down, the Vietnamese aggressors have been forced to depend more than ever on air transport to supply their troops.

KIRIBATI

Independence Celebrated

The Republic of Kiribati was established on July 12. To mark the event, a three-day celebration was held, which came to a climax at midnight on July 11 when the Union Jack was lowered at a ceremony amid cheers "Good luck, peace and prosperity" to give place to the Republic's red, blue and yellow flag.

Speaking at the ceremony in Tarawa, the capital, Kiribati President Ieremia Tabai said: "We shall face many difficulties. But we believe . . . with the determination and courage of our people we face the future with confidence."

The Kiribati Islands were originally called the Gilbert Islands, after a British naval officer who reached there in 1788. In the succeeding years, European colonialists forcibly shipped large numbers of local inhabitants to toil as "black slaves" in South America and Queensland, Australia. It was only after long years of hard struggle that the Kiribati people finally won their independence.

SENEGAL

Economy Improving

The Senegalese Government is adopting measures to over-

come its economic difficulties and gradually to balance its budget and trade.

This country ran into serious economic difficulties last year as a result of the severe 1977 drought and economic crisis in the capitalist world. The gross national product last year was down by 12.4 per cent and the trade deficit reached 69,000 million CFA francs.

Confronted by this situation, the Senegalese Government carried out an important tax reform for the first time since Senegal's independence. The tax reform law, submitted by the government and adopted recently by the National Assembly, provides for the following steps: imposing a unified tariff to remove discrimination against countries outside the European Common Market and encourage the import of cheaper commodities from those countries and to alleviate inflation; doing away with export taxes on groundnuts and other products to encourage exports and improve the adverse trade balance; and replacing the business tax by an increment tax to promote production and boost the competitiveness of domestic industrial products. At the same time, the government has reduced budgetary expenditures for fiscal 1979-80 and limited imports and borrowings from foreign sources.

This year proves to be a good one for agriculture. The groundnut yield reached a million tons, other crops reached 790,000 tons, almost twice last year's output, and cotton 40,000 tons. This will help restore the national economy.



CARTOONS

Cartoons and Socialism

Does a socialist society need cartoons?

This would never have been a question had it not been for Jiang Qing and the other political swindlers who charged that cartoons "uglify socialism and revolutionaries," and that they were "not beautiful," "not serious" and so forth. As a result, cartoons disappeared from the newspapers and magazines for more than ten years, and it looked as if they were consigned

to oblivion in China once and for all.

The people, however, love this art which imparts a deep meaning with only a few strokes. When the gang of four were toppled in October 1976, cartoons appeared all over the country, in the streets, factories, schools and government organizations. Militant and full of bite, they gave vent to the people's pent-up wrath at Jiang Qing and her band of phoney Marxists who had brought the country to the edge of destruction.

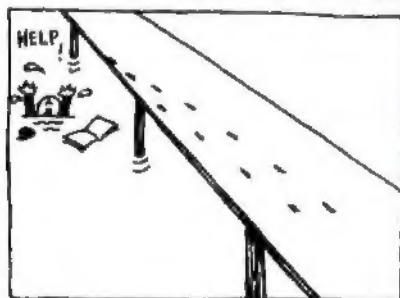
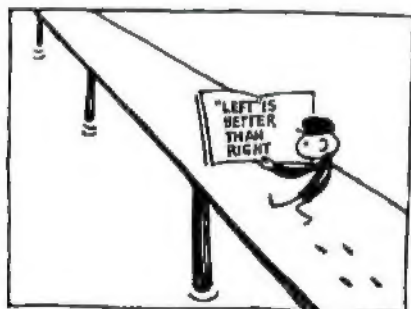
Today when the nation has embarked on a new Long March to achieve modernization, cartoonists have become active again, using their humorous and

satiric art to encourage the people to forge ahead to attain the set goals.

Hua Junwu, a veteran cartoonist with 40 years' experience behind him, in his interview with amateur worker cartoonists and in his article to *Zhongguo Qingnian Bao* (Chinese Youth), called on artists to produce more cartoons, with emphasis on satirizing the old ideology.

Cartoons serve as a powerful weapon against the enemies and a useful means in educating our own people. Since socialist society is born of an exploiting society, everyone in the new society, the young people included, must discard the ideology and pernicious influences of old. Caricatures which expose shortcomings and mistakes are useful in that they prompt people to make efforts to overcome them.

The noted cartoonist Hua Junwu has recently reproduced



Ultra-Left Leads People Down the River.

by Liu Qingtao



Never Walk, Never Stumble.

by Hua Junwu



"Iron Rice Bowl"—Good or Bad Work Makes No Difference.

by Gao Yunfeng



"Streamline Production."

by Min Qisen



Hunger for Books. by Tian Yuan

a masterpiece he drew 17 years ago — an old man wrapped in swaddling clothes. In the tradition of Chinese paintings, he wrote on the cartoon this inscription: "If a man should be afraid to walk since childhood lest he should fall, he would never be able to walk and will

remain in swaddling clothes all his life. Wouldn't he be a queer creature when he grows to be 70 or 80 years old?" This cartoon has won widespread praise, for it encourages the people of all trades and professions to overcome difficulties and march forward in big strides.

SPORTS

World Records Bettered Or Equalled

Five Chinese athletes were commended by the State Physical Culture and Sports Commission on July 1 for setting or equalling world records in the first half of this year. They were:

Chen Weiqiang, 21, who bettered the clean and jerk world record of 151 kilogrammes by 0.5 kilogramme for the 56-kg. class.

Gao Qing, 20, who established a new world record for the

women's centre-fire pistol event with 593 points. The previous world record was 592 points.

Meng Fanai, 24, who set a new archery record of 321 points in the women's 70-metre single round event. The old record was 319 points.

Lin Bo, 23, who equalled the world record for the prone position in the men's small-bore free rifle 3-position 40-shot event with 400 points.

Wu Shude, 20, who broke the 52-kg. class junior world record for the snatch with 107.5 kg., two kgs. better than the previous record.

The commission presented these athletes and their coaches with badges.

Last year Chinese athletes broke four world records and one youth world record, and established 166 new national records. These were the results of mass participation in sports.

ON THE STAGE AND SCREEN

The National Theatrical Festival

The ninth series of items for the national theatrical festival to mark the 30th anniversary of the founding of New China:

- Fine singing and dancing from multi-nationality Xinjiang, Uygur, Uzbek and Tajik dances, Kazakh and Tartar songs and dances and instrumental music of various minority nationalities.

- *Lan Huahua*, a song and dance drama from Yanan, north-west China. The tragedy of two lovers in the old society.

- *Mountain Flowers in Full Bloom*, a rollicking comedy, by a Qiqihar railway worker amateur troupe. The jolly life of some young staff members of a small railway station in a border forest.

- *Dauntless County Magistrate*, a Sichuan opera based on a story from *History of the Eastern Han Dynasty*. A county magistrate dares to sentence and punish the head steward of an imperial princess, who had committed a murder.

- *The Heart Still Beats*, a modern drama from east China's Maanshan. A heart specialist continues his researches despite persecution by the gang of four.

Film

- *Yahyah* is the name of a mother and her daughter. The mother dies, a victim of the feudal slave system. Her daughter finds a new life with the help of the People's Liberation Army. The film was shot on location in Tibet. The cast includes local Tibetans and members of other minority nationalities.

- *Lhupan Mountain* is the name of a famous mountain in north-west China's Ningxia region. The Red Army on its Long March in the 1930s passes through the region and leads the Hui people to fight the local despot.

- *Third Sister Liu*. A clever and beautiful singer of Zhuang nationality in south China's Guangxi fights the local bullies with songs. This story was made into a feature film in 1960. The new film is a film version of the stage song and dance drama.

By Artists From Abroad

- Music, songs and dances by the 57-member Norwegian Chorus and Corps Ensemble.

- The All-Philadelphia Boys Choir and Men's Chorale, led by Dr. Robert G. Hamilton, present American folk and other songs, and *A Jubilant Song* to mark the International Year of the Child.

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